

Message Text

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PAGE 01 STATE 117317
ORIGIN OPIC-06

INFO OCT-01 EA-09 ISO-00 EB-07 L-03 AID-05 COME-00
/031 R

DRAFTED BY OPIC/ID/NEA:LPHOLLYWOOD:JC
APPROVED BY EB/IFD/OIA:RJSMITH
OPIC/GC:COLE (IN DRAFT)
OPIC/ID/DVP:AMKRAMISH (IN DRAFT)
EB/IFD/OIA:DHSTEBBING
EA/ROC:HENGELBRECHT (INFO)
L/EB:SBOND (INFO)

-----211414Z 121812 /73

R 210121Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI

UNCLAS STATE 117317

FROM OPIC

E.O. 11652: N/A

TAGS: EINV

SUBJECT: OPIC INSURANCE FOR LOAN GUARANTIES

REF: TAIPEI 2800

1. OPIC CONCURS WITH EMBASSY PROPOSAL TO SEND SECOND
LETTER TO MOEA. MOEA OFFICIALS SHOULD UNDERSTAND THAT THE
US/ROC INVESTMENT GUARANTY BILATERAL AGREEMENT IS LIMITED
TO INTERGOVERNMENTAL PROCEDURAL ARRANGEMENTS AND GIVES NO
SPECIAL RIGHTS OR STANDING TO THE INSURED INVESTMENT.
ACCORDINGLY, FGA ISSUANCE SHOULD NOT INVOLVE DUPLICATIVE
PROCESSING OR MORE STRINGENT REQUIREMENTS THAN ARE APPLIED
TO INVESTMENT GENERALLY.

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2. PART OF THE PROBLEM MAY BE A MISUNDERSTANDING OF WHY A
GUARANTY OF A LOAN SHOULD BE TREATED AS FOREIGN INVESTMENT
AND BE ELIGIBLE FOR OPIC INSURANCE. U. S. INVESTORS
PURCHASE INSURANCE IN SUCH CASES TO COVER THE EVENTUALITY
OF A DEFAULT REQUIRING THEM TO SEND FUNDS INTO THE PROJECT
COUNTRY TO MAKE GOOD ON THEIR LOAN GUARANTY. THE PROTECT-

ION THE PARENT COMPANY SEEKS FROM OPIC IS AGAINST LOSS OF THIS CONTINGENT "INVESTMENT" DUE TO INABILITY OF THE FOREIGN ENTERPRISE TO MAKE PAYMENT AS A RESULT OF WAR OR EXPROPRIATION OR OTHER COVERED EVENT. ON THE OTHER HAND,

A COMMERCIAL FAILURE OF THE PROJECT, WHICH RESULTS IN A CALL ON THE PARENT COMPANY'S LOAN GUARANTY, IS NOT AN EVENT THAT COULD BE CLAIMED UNDER OPIC INSURANCE COVER.

3. A SIMILAR CONCEPTUAL PROBLEM HAS OCCURRED WITH SOME OTHER GOVERNMENTS, AND IN GENERAL IT HAS BEEN AGREED THAT LOAN GUARANTIES ARE COVERED BY THE BILATERAL. THE GUARANTY FACILITATES THE FLOW OF FUNDS TO THE PROJECT FROM LENDING INSTITUTIONS EVEN THOUGH THE GUARANTOR ITSELF DOES

NOT MAKE PAYMENT -- UNTIL SOME TIME IN FUTURE IN CASE OF A DEFAULT. PUT ANOTHER WAY, THE FLOW OF FUNDS TO THE PROJECT MIGHT NOT OCCUR AT ALL, BUT FOR THE GUARANTOR. CHRISTOPHER

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NNN

Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Concepts: INVESTMENT GUARANTEES, LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE117317
Document Source: CORE
Document Unique ID: 00
Drafter: LPHOLLYWOOD:JC
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770182-0009
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770531/aaaabbbe.tel
Line Count: 80
Litigation Code IDs:
Litigation Codes:
Litigation History:
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